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ANALYSIS OF FINANCIAL PERFORMANCE ON THE CAPITAL STRUCTURE OF PT IMPACK PRATAMA INDUSTRI TBK FOR THE PERIOD 2015-2024

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Abstract

This study aims to analyze the effect of financial performance on capital structure at Pt Impack Pratama Industri Tbk during the period 2015-2024. Financial performance is measured through profitability ratios (Return on Assets, Return on Equity, Net Profit Margin, and Gross Profit Margin) and liquidity (Current Ratio, Quick Ratio, and Cash Ratio), while capital structure is measured using Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR). This study is based on the theory of modern capital structure, namely Trade-Off Theory and Pecking Order Theory, which explains the balance between the use of debt and own capital and the order of funding preferences of the company. The research method used is a quantitative approach with multiple linear regression analysis to examine the simultaneous and partial influence between the independent and dependent variables. The Data used is secondary data obtained from the company's annual financial statements published through the official website of PT Impack Pratama Industri Tbk. The results showed that the ratio of profitability and liquidity affect the capital structure, where companies with high levels of profitability and liquidity are maintained tend to have lower debt levels. These findings indicate that Pt Impack Pratama Industri Tbk is able to manage its capital structure efficiently in accordance with the principle of balance between risk and return in modern financial management.

Keywords: Financial performance, profitability, liquidity, capital structure, PT Impack Pratama Industri Tbk.

Introduction

Faced with global economic changes and rising competition in the building materials industry, every company must maintain financial stability to ensure business sustainability. Financial performance is a key indicator for evaluating how effectively a company manages its resources, especially concerning funding decisions and capital structure. The optimal capital structure shows the company's ability to balance debt and equity to reduce risk and enhance overall value.

PT Impack Pratama Industri Tbk is one of Indonesia's largest plastic building materials manufacturers, consistently improving its financial performance despite economic fluctuations and market shifts. From 2015 to 2024, the company experienced notable changes in its financial ratios, both in profitability and liquidity. These conditions show the dynamics in funding strategies and operational efficiency that warrant further analysis.

This study focuses on the analysis of financial performance of the company's capital structure using financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Gross Profit Margin (GPM), Current Ratio (CR), Quick Ratio (QR), and Cash Ratio (CaR) to Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR). This study is important because it can provide an understanding of the internal factors that affect the company's funding policy.

The purpose of this study was to determine and analyze the extent to which financial performance both in terms of profitability and liquidity affect the capital structure of PT Impack Pratama Industri Tbk during the period 2015-2024. The results are expected to be a consideration for management in determining a more effective financial strategy and provide theoretical contributions in the development of financial management studies of manufacturing companies in Indonesia.

Theoretical Framework

The theory of capital structure becomes the main foundation in this research. According to Modigliani and Miller (1958), the capital structure does not affect the value of the company if the market is perfect. However, in practice, the presence of taxes, bankruptcy fees, and information asymmetry causes capital structure to be an important aspect in determining financial policy. Companies need to balance between the use of debt and own capital in order to maximize the value of the company while minimizing financial risk.

In addition to the theories of Modigliani and Miller, this study is also supported by Trade-Off Theory and Pecking Order Theory. According to the Trade-Off Theory, companies try to achieve an optimal capital structure by balancing the benefits of using debt (such as tax savings or tax shields) and the risks it entails (such as potential financial distress). Meanwhile, The Pecking Order Theory proposed by Myers and Majluf (1984) states that companies have an order of preference in funding, namely using internal funds first, then debt, and finally issuing new shares if internal funds are insufficient. These two theories explain how a company's funding decisions can be influenced by profitability and liquidity conditions, which are the main focus in this study.

Financial ratios are used to assess the performance of a company in the aspect of profitability and liquidity. Profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Gross Profit Margin (GPM) describe a company's ability to generate profits from its operating activities. Meanwhile, liquidity ratios such as Current Ratio (CR), Quick Ratio (QR), and Cash Ratio (CaR) show the company's ability to meet short-term obligations. Good financial performance, both in terms of profitability and liquidity, is expected to influence capital structure decisions which are reflected through the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR).

Previous research by Widayanti and Budiasih (2020) found that ROA and ROE had a significant effect on capital structure, while NPM and GPM did not show a consistent effect. Meanwhile, research by Putra and Wulandari (2021) confirms that liquidity ratios have a negative effect on capital structure, as companies with high levels of liquidity tend to use internal funds rather than debt. However, most previous studies have still focused on one group of ratios only, without combining the simultaneous aspects of profitability and liquidity.

Based on the results of the study, this study seeks to fill the research gap by simultaneously analyzing the effect of profitability and liquidity ratios on capital structure. Thus, the hypothesis proposed in this study is that financial performance, as measured through profitability and liquidity ratios, has a significant influence on the capital structure of PT Impack Pratama Industri Tbk for the period 2015-2024.

Method

This study uses a quantitative approach with causal associative method to analyze the effect of financial performance on capital structure at Pt Impack Pratama Industri Tbk during the period 2015-2024. Quantitative approach was chosen because this study aims to examine the relationship between variables through the calculation of financial ratios systematically and measurably.

The Data used is secondary data obtained from the annual financial statements of PT Impack Pratama Industri Tbk published on the official website of PT Impack Pratama Industri Tbk and the Indonesia Stock Exchange (IDX). Independent variables in this study include profitability ratios (Return on Assets, Return on Equity, Net Profit Margin, and Gross Profit Margin) and liquidity ratios (Current Ratio, Quick Ratio, and Cash Ratio). Meanwhile, the dependent variable used is the capital structure, which is measured through the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR).

The data collection technique was carried out by the documentation method, which was to collect the company's financial statements for ten years of research. Each financial ratio is calculated using the following standard formula:

1. Return on Assets (ROA) = Net Income / Total Assets
2. Return on Equity (ROE) = Net Income / own capital
3. Net Profit Margin (NPM) = Net Profit / sales
4. Gross Profit Margin (GPM) = gross profit / sales
5. Current Ratio (CR) = current assets / current liabilities
6. Quick Ratio (QR) = (current assets-inventories) / current liabilities
7. Cash Ratio (CaR) = Cash / Current Liabilities
8. Debt to Equity Ratio (DER) = Total Debt / own capital
9. Debt to Asset Ratio (DAR) = Total Debt / Total Assets

Data analysis was conducted using quantitative descriptive analysis method, namely by calculating and comparing financial ratios during the study period to see trends and changes that occur from year to year. The calculation results were then interpreted to determine the condition of profitability, liquidity, and capital structure of Pt Impack Pratama Industri Tbk, as well as its relationship with the theory used in this study.

Results

This section presents the results of financial data processing of PT Impack Pratama Industri Tbk for the period 2015-2024, which includes profitability ratios, capital structure, and liquidity. The Data is obtained from the company's annual financial statements and processed into the following table.

Table 1. Profitability ratio of Pt Impack Pratama Industri Tbk (2015-2024)

Year	ROA	ROE	NPM	GPM
2015	7,75	11,83	11,31	12,83
2016	5,53	10,27	11,08	14,52
2017	3,98	7,08	7,65	9,34
2018	4,45	7,69	7,56	8,42
2019	3,72	6,61	6,23	8,96
2020	4,31	7,69	6,44	9,76
2021	6,60	11,17	8,47	11,44
2022	9,10	14,05	11,13	14,75
2023	11,15	17,44	12,61	16,47
2024	12,14	25,29	13,99	18,70

Source: data processed from the financial statements of PT Impack Pratama Industri Tbk (2015-2024).

Description:

The profitability ratio shows a significant upward trend especially since 2021. The largest increase occurred in ROE which reached 25.29% in 2024, followed by ROA of 12.14%. This indicates an increase in the company's ability to generate profits from its own capital and assets. While NPM and GPM also showed steady growth, signaling operational efficiency and an effective pricing strategy.

Table 2. Capital structure ratio of Pt Impack Pratama Industri Tbk (2015-2024)

Year	DAR	DER
2015	0,35	0,53
2016	0,46	0,86
2017	0,44	0,78
2018	0,42	0,73
2019	0,44	0,78
2020	0,44	0,78
2021	0,41	0,69
2022	0,35	0,54
2023	0,36	0,56
2024	0,52	1,08

Source: data processed from the financial statements of PT Impack Pratama Industri Tbk (2015-2024).

Description:

The capital structure ratio showed fluctuations during the study period. DAR is relatively stable in the range of 0.35-0.46, which means that most of the company's assets are financed by equity. However, in 2024, there was an increase in DAR (0.52) and DER (1.08), which indicates an increase in the use of debt in financing companies. This condition can be interpreted as the company's strategy in expanding business activities through external funding sources.

Table 3. Liquidity ratio of Pt Impack Pratama Industri Tbk (2015-2024)

Year	CR	QR	Cash Ratio
2015	227,13	108,22	7,27
2016	377,23	231,69	22,91
2017	360,56	203,98	15,47
2018	356,42	197,55	11,84
2019	245,20	125,57	8,73
2020	207,44	108,20	8,84
2021	216,24	94,85	4,51
2022	244,84	114,13	5,95
2023	217,72	111,50	7,00
2024	181,02	89,25	6,47

Source: data processed from the financial statements of PT Impack Pratama Industri Tbk (2015-2024).

Description:

The liquidity ratio shows that the Current Ratio (CR) remains well above the ideal figure (≥200%) for most of the period, which indicates that the company's ability to meet short-term obligations is very strong. However, the Quick Ratio (QR) is notably lower than CR and does not consistently exceed the ideal threshold; QR reached its peak of 231.69 in 2016 and declined to 89.25 in 2024, reflecting that a portion of current assets is held in inventories or less liquid items. The Cash Ratio tends to decrease from 22.91% (2016) to 6.47% (2024), which indicates that the company increasingly deploys cash for operational needs and investments while maintaining overall liquidity.

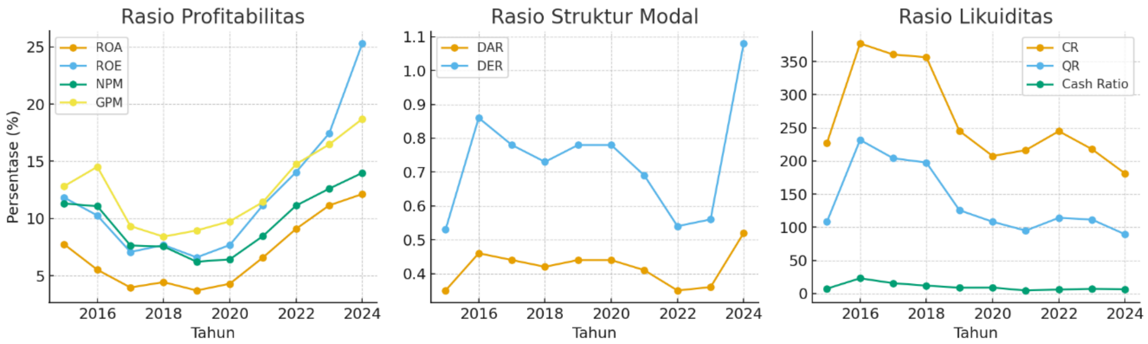

Figure 1. Trends in financial ratios of Pt Impack Pratama Industri Tbk 2015-2024 (Profitability, capital structure, and liquidity)

Figure 1 shows the trend of profitability ratio, capital structure, and liquidity of PT Impack Pratama Industri Tbk during the period 2015-2024. The profitability ratio has increased after 2020, while the capital structure tends to be stable. Liquidity ratios, in particular the Quick Ratio (QR), showed a consistent decline, indicating a decrease in the company's liquid assets, although overall liquidity levels were still well maintained.

Discussion

The results showed that profitability ratios (ROA, ROE, NPM, and GPM) increased significantly from 2021 to 2024. The increase indicates that Pt Impack Pratama Industri Tbk is able to increase the efficiency of using assets and capital to generate profits, in line with the improvement in operational performance and financial strategies implemented. This condition supports the theory of profitability and capital structure proposed by Modigliani and Miller (1958) as well as Trade-Off Theory, where companies with high levels of profit tend to reduce dependence on debt because they have a strong internal source of funds.

In the capital structure ratio, the values of DER and DAR show fluctuations but remain within reasonable limits. The increase in DER in 2024 indicates an increase in the use of external funding, which can be associated with the expansion of the company's operational activities. This is in accordance with the Pecking Order Theory, which states that companies will prefer internal funding first, and only use external funding if internal funding is insufficient. Despite the increase in 2024, the company's debt level is still relatively healthy as it is offset by a significant increase in profitability.

Furthermore, liquidity ratios showed relatively good conditions throughout the study period. The value of the Current Ratio (CR) is mostly above the ideal standard (200%), which shows the company's ability to meet short-term obligations is still strong. However, the Quick Ratio (QR) showed a downward trend in recent years and was even below 200%, which reflects a decrease in the company's most liquid assets. Although the Cash Ratio decreased from 22.91% to 6.47%, it illustrates the effectiveness of the company in utilizing cash funds for productive activities such as asset investment or operational development. This condition is in line with the research of Putra and Wulandari (2021) which found that companies with optimal liquidity tend to be more efficient in managing cash and working capital without causing liquidity risk.

From the overall results, it can be concluded that increased profitability and good liquidity management contribute positively to the stability of the company's capital structure. Solid financial performance allows PT Impack Pratama Industri Tbk to maintain the proportion of debt and equity at an optimal level, thereby reducing financial risk and increasing the value of the company. In practical terms, these findings give an idea that management needs to continue to maintain the efficient use of assets, maintain a balance of funding sources, and manage cash carefully so that financial stability is maintained in the long term.

This study also provides a theoretical contribution by combining the analysis of profitability ratios, liquidity, and capital structure simultaneously in one company of the building materials manufacturing sector. The results reinforce the view that the relationship between financial ratios is interrelated and dynamic. However, this study has limitations because it uses only one research object and secondary data from the financial statements. Therefore, further research is recommended to add external variables such as interest rates, inflation, or global economic conditions, as well as expand the object to similar companies so that the results are more comprehensive.

Conclusion

Based on the results of research on the effect of financial performance on capital structure at PT Impack Pratama Industri Tbk for the period 2015-2024, it can be concluded that profitability ratios (ROA, ROE, NPM, and GPM) and liquidity (CR, QR, and Cash Ratio) play an important role in determining the stability of the company's capital structure. The results of the analysis showed that the increase in profitability is followed by a tendency to decrease in debt ratios (DER and DAR), which means that the company is able to finance its operations through internal funds without excessive dependence on debt.

In terms of liquidity, the Current Ratio (CR) is mostly at a safe level, while the Quick Ratio (QR) has shown a downward trend in recent years. This indicates that although the company's liquidity ability has decreased slightly, the company is still able to meet its short-term obligations well. The decrease in Cash Ratio reflects efficient cash management for productive activities. Overall, good financial performance has helped the company maintain a healthy and balanced proportion of its capital structure between the use of its own capital and external funds.

This research provides a theoretical contribution by confirming the relevance of Trade-Off and Pecking Order theory in the context of building materials manufacturing companies in Indonesia, as well as a practical contribution to company management in determining optimal financing strategies. For investors, these results can be a consideration in assessing the level of risk and overall financial performance of the company.

The limitations of this study lies in its scope which uses only one research object and a limited period of time. Therefore, subsequent studies suggest extending the object to several similar companies, adding external variables such as inflation and interest rates, as well as using a comparative analysis approach to obtain more comprehensive and representative results.

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